

NEGAUNEE TOWNSHIP
MARQUETTE COUNTY, MICHIGAN

FINANCIAL STATEMENTS
AND
ADDITIONAL INFORMATION

FOR THE YEAR ENDED MARCH 31, 2006

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name NEGAUNEE TOWNSHIP	County MARQUETTE
Fiscal Year End 3/31/06	Opinion Date May 18, 2006	Date Audit Report Submitted to State SEPTEMBER, 2006	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

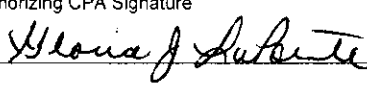
YES NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☒ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name) COWELL & LAPOINTE PC		Telephone Number 906-228-5150		
Street Address 101 S. Front St., Ste. 309		City MARQUETTE	State MI	Zip 49855
Authorizing CPA Signature 		Printed Name GLORIA J. LAPOINTE		License Number 1101015346

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TOWNSHIP OF NEGAUNEE, MICHIGAN

Management's Discussion and Analysis

Our discussion and analysis of the Township of Negaunee, Michigan's financial performance provides an overview of the Township's financial activities for the year ended March 31, 2006. Please read it in conjunction with the financial statements.

FINANCIAL HIGHLIGHTS

- Net Assets for the Township as a whole increased by \$186,504 or 5.2% as a result of this year's operations.
- During the year, the Township had expenses for governmental activities that were \$1,017,995 and revenues of \$814,385.
- The General Fund reported a net fund balance of \$152,627 as of March 31, 2006, an increase of \$24,343 from the April 1, 2005 fund balance of \$128,284.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide statements by providing information about the Township's most significant funds.

TOWNSHIP AS A WHOLE

The Statement of Net Assets and the Statement of Activities report information about the Township as a whole and about its activities. These reports help to provide detailed information as to whether the Township, as a whole, is better off or worse off as a result of the year's activities.

These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the Township's net assets and changes.

TOWNSHIP OF NEGAUNEE, MICHIGAN
Management's Discussion and Analysis - Continued
MARCH 31, 2006

In a condensed format, the table below shows a comparison of the net assets (in thousands of dollars) as of the current date.

Negaunee Township Total Net Assets – Governmental and Business-Type Activities						
	Governmental Activities		Business-Type Activities		Total Primary Government	
(In 000's)	<u>3/31/06</u>	<u>3/31/05</u>	<u>3/31/06</u>	<u>3/31/05</u>	<u>3/31/06</u>	<u>3/31/05</u>
Current Assets	\$ 777	\$ 785	\$ 282	\$ 243	\$1,059	\$1,028
Noncurrent Assets	<u>1,468</u>	<u>1,410</u>	<u>2,671</u>	<u>2,511</u>	<u>4,139</u>	<u>3,921</u>
Total Assets	<u>\$2,245</u>	<u>\$2,195</u>	<u>\$2,953</u>	<u>\$2,754</u>	<u>\$5,198</u>	<u>\$4,949</u>
Long-Term Debt						
Outstanding	\$ 932	\$ 934	\$ 272	\$ 233	\$1,204	\$1,167
Other Liabilities	<u>200</u>	<u>194</u>	<u>69</u>	<u>49</u>	<u>269</u>	<u>243</u>
Total Liabilities	<u>\$1,132</u>	<u>\$1,128</u>	<u>\$ 341</u>	<u>\$282</u>	<u>\$1,473</u>	<u>\$1,410</u>
Net Assets						
Invested in Capital Assets						
– Net of Related Debt	\$492	\$538	\$2,228	\$2,218	\$2,720	\$2,756
Restricted for Debt Service			88	71	88	71
Unrestricted	<u>621</u>	<u>529</u>	<u>296</u>	<u>183</u>	<u>917</u>	<u>712</u>
Total Net Assets	<u>\$1,113</u>	<u>\$1,067</u>	<u>\$2,612</u>	<u>\$2,472</u>	<u>\$3,725</u>	<u>\$3,539</u>

Total Net Assets stood at \$3,725,097 as of fiscal year end March 31, 2006, compared to \$3,538,593 at March 31, 2005. Unrestricted net assets – the part of net assets that could be used to finance the day-to-day activities without constraints established by debt covenants, enabling legislation, or other legal requirements – stood at \$916,890.

Total Liabilities as of March 31, 2006 stood at \$1,473,307 as compared to \$1,409,203 at March 31, 2005. The increase in liabilities can be attributed to an increase in long-term liabilities due within one year from \$179,384 at March 31, 2005 to \$217,431 at March 31, 2006, along with an increase in bonds and notes payable (due in more than one year) from \$1,150,734 at March 31, 2005 to \$1,197,911 at March 31, 2006. The largest single increase in Township liabilities was due to road construction on County Road JA (North Road) funded through a contractual obligation with the Marquette County Road Commission in the amount of \$204,227.

TOWNSHIP OF NEGAUNEE, MICHIGAN
Management's Discussion and Analysis - Continued
MARCH 31, 2006

The following table shows the changes of the net assets (in thousands of dollars) as of March 31, 2006:

Negaunee Township - Change in Net Assets						
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
(In 000's)	<u>3/31/06</u>	<u>3/31/05</u>	<u>3/31/06</u>	<u>3/31/05</u>	<u>3/31/06</u>	<u>3/31/05</u>
Program Revenues:						
Charges for Services	\$ 84	\$ 5	\$485	\$533	\$ 569	\$ 538
Operating Grants and Contributions		140	26	6	26	146
Capital Grants and Contributions	6	10			6	10
General Revenue						
Property Taxes	533	493			533	493
Licenses and Permits	4	7			4	7
State-Shared Revenues	214	210			214	210
Interest Earnings	15	4	7	3	22	7
Rentals	11	14			11	14
Miscellaneous	30	30			30	30
Total Revenues	<u>897</u>	<u>913</u>	<u>518</u>	<u>542</u>	<u>1,415</u>	<u>1,455</u>
Program Expenses:						
General Government	383	402			383	402
Public Safety	133	142			133	142
Public Works	233	136			233	136
Community and Economic	40	38			40	38
Recreation and Culture	13	12			13	12
Interest on Lon-Term Debt	49	61			49	61
Water			224	246	224	246
Solid Waste Disposal			153	340	153	340
Total Expenses	<u>851</u>	<u>791</u>	<u>377</u>	<u>586</u>	<u>1,228</u>	<u>1,377</u>
Change in Net Assets	<u>\$ 46</u>	<u>\$122</u>	<u>\$141</u>	<u>\$<44></u>	<u>\$ 187</u>	<u>\$ 78</u>

The Township's net assets continue to remain healthy. With new residents moving into the Township, either through the sale of homes or new construction, it is anticipated revenue from governmental activities and business-type activities will increase in the future. However, with an increase in interest rates and an economic downturn, it is felt revenue increases will be moderated compared to prior years.

GOVERNMENTAL ACTIVITIES

The net assets for the Township's governmental activities increased by \$45,425 for the year ended March 31, 2006. Total revenues from governmental activities were \$814,385, while total expenses were \$1,017,995. The difference of \$203,610 was due to road construction on County Road JA (North Road), and was funded through a contractual obligation with the Marquette County Road Commission in the amount of \$204,227.

TOWNSHIP OF NEGAUNEE, MICHIGAN
Management's Discussion and Analysis - Continued
MARCH 31, 2006

BUSINESS-TYPE ACTIVITIES

Negaunee Township's business-type activities consist of the Water Fund and the Solid Waste Disposal Fund.

The Township provides water to more than 400 Township residences and businesses. Individuals are charged for the service based on total water consumption. Revenues from water sales, grants and other revenue totaled \$322,584, while expenses incurred were \$209,248, resulting in an operating income of \$113,336. The income balance includes depreciation expense of \$100,360.

The Solid Waste Disposal Fund provides for the disposal of solid waste. More than 1,100 Township residences are billed quarterly for the service, while other Township residents can dispose of waste based on tonnage. Tipping Fees and quarterly invoices generated revenues of \$162,001 while expenditures incurred were \$152,840, resulting in operating income of \$9,161.

TOWNSHIP FUNDS

As the Township of Negaunee, Michigan completed the fiscal year as of March 31, 2006, its Governmental Funds (as presented in the balance sheet) reported combined fund balances of \$856,054, an increase of \$617 from April 1, 2005. The General Fund, Community Building, and Fire Fund reported a combined net operating income of \$71,560, while the Road Fund, Debt Service Special Assessment and all other Nonmajor Governmental Funds reported revenues and other financing sources under expenditures of \$70,943.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the course of the year, the Township Board amended the General Fund budget to take into account events taking place during the fiscal year. The amendments resulted in a net increase of \$0. However, actual revenues were \$24,343 greater than revenues.

Despite the budget amendment, variances to the General Fund budget took place. The main variances were due to the grants and expenditures incurred with the establishment of a proposed Casino within Negaunee Township and work performed pertaining to possible infrastructure to the facility.

TOWNSHIP OF NEGAUNEE, MICHIGAN
Management's Discussion and Analysis - Continued
MARCH 31, 2006

CAPITAL ASSET AND DEBT ADMINISTRATION

As of March 31, 2006, the Township of Negaunee, Michigan had \$3,834,396 invested in a variety of capital assets including land, buildings, machinery and equipment (including fire equipment), infrastructure (including water lines) and equity in the Marquette County Solid Waste Management Authority. This is up from the balance of \$3,813,742 at fiscal year end 2005. In addition the Township continues to invest significant funds in roads within the Township. However, these assets are not reported as assets of Negaunee Township, but rather they are the property of the Marquette County Road Commission.

A breakdown of the Capital Assets (in thousands of dollars) is shown below.

Negaunee Township Capital Assets as of 3/31/06 (Net of Depreciation)						
(In 000's)	<u>Governmental</u>		<u>Business-Type</u>		<u>Total Capital Assets</u>	
	<u>3/31/06</u>	<u>3/31/05</u>	<u>3/31/06</u>	<u>3/31/05</u>	<u>3/31/06</u>	<u>3/31/05</u>
Capital Assets						
Land	\$ 56	\$ 56	\$ 35	\$ 35	\$ 91	\$ 91
Land Improvements	43				43	
Construction in Progress						
- Infrastructure	137	133	2,383	2,336	2,520	2,469
Equity In Marquette County						
Solid Waste Management Authority	61	61			61	61
Buildings	692	718	82	84	774	802
Machinery and Equipment	<u>295</u>	<u>335</u>	<u>50</u>	<u>56</u>	<u>345</u>	<u>391</u>
Governmental Activities						
Total Capital Assets						
(Net of Depreciation)	<u>\$1,284</u>	<u>\$1,303</u>	<u>\$2,550</u>	<u>\$2,511</u>	<u>\$3,834</u>	<u>\$3,814</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Cuts to Michigan State Revenue Sharing continue to be of concern to Negaunee Township. With decreased funds the Township continues to watch its budget very closely and take the necessary steps to minimize expenditures whenever possible.

In preparing the 2006-2007 Budget, the Township Board reviewed year-to-date data for all funds, along with past budget data. Every attempt has been made to develop realistic fund budgets from both the revenue and expenditure perspective.

The Water Fund and Solid Waste Fund operate as proprietary funds. In order to prevent net operating losses from occurring, the Board monitors these funds for potential rate increases to offset any perceived budget shortfalls.

TOWNSHIP OF NEGAUNEE, MICHIGAN
Management's Discussion and Analysis - Continued
MARCH 31, 2006

CONTACTING THE TOWNSHIP'S MANAGEMENT

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of Negaunee Township's finances and to show the Township's accountability for the money it receives.

If you have any questions about this report or need additional information, we welcome you to contact the following:

Negaunee Township
42 East M-35
Negaunee, MI 49866
(906) 475-7869
www.NegauneeTownship.org

Board of Trustees
Negaunee Township
Marquette County, Michigan

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Negaunee Township, as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's Board. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Negaunee Township, as of March 31, 2006 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note A, the District has implemented a new financial reporting model as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis - for State and Local Governments*, as amended and interpreted, as of March 31, 2005.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 18, 2006, on our consideration of Negaunee Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

INDEPENDENT AUDITOR'S REPORT – Continued

The management's discussion and analysis and budgetary comparison information (identified in the table of contents) are not a required part of the basic financial statements but are supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Negaunee Township's basic financial statements. The accompanying required supplemental information and other supplemental information, as identified in the table of contents, are not a required part of the basic financial statements. The required supplemental information is presented for the purpose of additional analysis. The required supplemental information and the other supplemental information have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.


Cowell & LePointe, P.C.
Certified Public Accountants
Marquette, Michigan

May 18, 2006

Board of Trustees
Negaunee Township
Marquette County, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Negaunee Township as of and for the year ended March 31, 2006, which collectively comprise Negaunee Township's basic financial statements and have issued our report thereon dated May 18, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered Negaunee Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

COMPLIANCE

As part of obtaining reasonable assurance about whether Negaunee Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

However, we noted certain matters that we reported to the management of Negaunee Township in a separate letter dated May 18, 2006.

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL - Continued

This report is intended for the information of management, others within the organization, and the Board of Trustees and is not intended to be and should not be used by anyone other than these specified parties.

Cawell & LaPointe, P.C.
Certified Public Accountants
Marquette, Michigan

May 18, 2006

NEGAUNEE TOWNSHIP

STATEMENT OF NET ASSETS

March 31, 2006

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash on hand and in bank	\$ 620,636	\$ 324,985	\$ 945,621
Certificates of deposit	103,073	43,435	146,508
Receivables:			
Accounts	8,041	15,983	24,024
Interest	1,081	1,499	2,580
Special assessments	79,183	120,370	199,553
Taxes	34,467		34,467
Interfund	104,259	(104,259)	
Due from other governmental units	9,713	1,542	11,255
Capital assets - net	1,284,172	2,550,224	3,834,396
Total assets	\$ 2,244,625	\$ 2,953,779	\$ 5,198,404
Liabilities			
Accounts payable	\$ 11,214	\$ 11,324	\$ 22,538
Security deposits payable	3,077		3,077
Interest payable	18,082	2,528	20,610
Interfund payable	5,442	(5,442)	
Due to other governmental units	5,483		5,483
Long-term liabilities			
Due within one year-			
Bonds and notes payable	157,356	60,075	217,431
Due in more than one year-			
Compensated absences	4,718	1,539	6,257
Bonds and notes payable	926,911	271,000	1,197,911
Total liabilities	1,132,283	341,024	1,473,307
Net assets			
Investment in capital assets - net of related debt	491,679	2,228,696	2,720,375
Restricted for:			
Debt service		87,832	87,832
Unrestricted	620,663	296,227	916,890
Total net assets	1,112,342	2,612,755	3,725,097
Total liabilities and net assets	\$ 2,244,625	\$ 2,953,779	\$ 5,198,404

See accompanying notes to financial statements.

NEGAUNEE TOWNSHIP

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED MARCH 31, 2006

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities						
General government	\$ 382,637	\$ 5,033	\$ 6,039	\$ (371,565)	\$	\$ (371,565)
Public safety	133,072			(133,072)		(133,072)
Public works	233,295	79,183		(154,112)		(154,112)
Community and economic development	40,381			(40,381)		(40,381)
Recreation and culture	13,032			(13,032)		(13,032)
Interest on long-term debt	49,437			(49,437)		(49,437)
Total governmental activities	851,854	84,216	6,039	(761,599)		(761,599)
Business-type activities						
Water	223,842	322,584	26,000		124,742	124,742
Solid waste disposal	152,840	162,001			9,161	9,161
Total business-type activities	376,682	484,585	26,000		133,903	133,903
Total primary government	\$ 1,228,536	\$ 568,801	\$ 32,039	(761,599)	133,903	(627,696)
General revenues						
Property taxes				533,445		533,445
Licenses and permits				3,986		3,986
State-shared revenues				214,154		214,154
Interest earnings				14,607	7,176	21,783
Rentals				10,900		10,900
Miscellaneous				29,932		29,932
Total general revenues				807,024	7,176	814,200
Change in net assets				45,425	141,079	186,504
Net assets - April 1, 2005				1,066,917	2,471,676	3,538,593
Net assets - March 31, 2006				\$ 1,112,342	\$ 2,612,755	\$ 3,725,097

See accompanying notes to financial statements.

NEGAUNEE TOWNSHIP
GOVERNMENTAL FUNDS
BALANCE SHEET
FOR THE YEAR ENDED MARCH 31, 2006

	General	Community Building	Fire	Road	Debt Service Special Assessment	Nonmajor Governmental	Total Governmental
Assets							
Cash on hand and in bank	\$ 63,676	\$ 266,240	\$ 141,946	\$ 87,516	\$ 41,713	\$ 19,545	\$ 620,636
Certificates of deposit			54,457	48,616			103,073
Receivables:							
Accounts	2,408		226				2,634
Interest			571	510			1,081
Special assessments					79,183		79,183
Taxes	6,669	9,529	13,289	4,980			34,467
Due from other funds	109,368	353	64	185		22,634	132,604
Due from other governmental units	6,378				3,335		9,713
Total assets	\$ 188,499	\$ 276,122	\$ 210,553	\$ 141,807	\$ 124,231	\$ 42,179	\$ 983,391
Liabilities and fund balances							
Liabilities							
Accounts payable	\$ 7,627	\$ 2,062	\$ 1,525	\$	\$	\$	\$ 11,214
Security deposits payable		3,077					3,077
Due to other funds	22,762	17		106	5,191	304	28,380
Due to other governmental units	5,483						5,483
Deferred revenue					79,183		79,183
Total liabilities	35,872	5,156	1,525	106	84,374	304	127,337
Fund balances							
Reserved for							
Capital projects						22,634	22,634
Debt service					39,857		39,857
Other purposes		270,966	209,028	141,701		19,241	640,936
Unreserved	152,627						152,627
Total fund balances	152,627	270,966	209,028	141,701	39,857	41,875	856,054
Total liabilities and fund balances	\$ 188,499	\$ 276,122	\$ 210,553	\$ 141,807	\$ 124,231	\$ 42,179	\$ 983,391

See accompanying notes to financial statements.

NEGAUNEE TOWNSHIP

**RECONCILIATION OF GOVERNMENTAL FUND BALANCES TO
GOVERNMENTAL NET ASSETS**

March 31, 2006

Total Governmental Fund Balances		\$ 856,054
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and are not reported in the funds.		
The cost of the capital assets is	\$ 1,781,917	
Accumulated depreciation is	<u>(497,745)</u>	1,284,172
Special assessment receivables are expected to be collected over several years and are not available to pay for current year expenditures		79,183
Interest payable used in governmental activities are not payable from current resources and therefore, are not reported in the governmental funds		(18,082)
Long term liabilities that are not due and payable in the current period and are not reported in the funds:		
Bonds and notes payable		(1,084,267)
Compensated absences		<u>(4,718)</u>
Net Assets of Governmental Activities		<u>\$ 1,112,342</u>

See accompanying notes to financial statements.

NEGAUNEE TOWNSHIP

GOVERNMENTAL FUNDS

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED MARCH 31, 2006**

	General	Community Building	Fire	Road	Debt Service Special Assessment	Nonmajor Governmental	Total Governmental
Revenues							
Taxes and penalties	\$ 126,606	\$ 140,162	\$ 178,320	\$ 73,305	\$	\$ 17,380	\$ 535,773
Licenses and permits	3,986						3,986
State grants	213,657					497	214,154
Charges for services	5,033						5,033
Interest and rentals	3,981	14,736	1,787	3,939	1,036	28	25,507
Other revenue	5,580	1,488	6,568		16,296		29,932
Total revenues	358,843	156,386	186,675	77,244	17,332	17,905	814,385
Expenditures							
Current							
General government	192,474	92,670					285,144
Public safety	749		94,904			545	96,198
Public works	12,740			220,555			233,295
Community & economic development	30,709					1,381	32,090
Recreation and culture		7,767					7,767
Other	62,720	25,392	1,725		250		90,087
Capital outlay	3,613	2,721	22,295			18,463	47,092
Debt service	31,495		48,370	121,320	25,137		226,322
Total expenditures	334,500	128,550	167,294	341,875	25,387	20,389	1,017,995
Excess of revenues over (under) expenditures	24,343	27,836	19,381	(264,631)	(8,055)	(2,484)	(203,610)
Other financing sources-							
Note proceeds				204,227			204,227
Excess of revenues and other financing sources over (under) expenditures	24,343	27,836	19,381	(60,404)	(8,055)	(2,484)	617
Fund balance - April 1, 2005	128,284	243,130	189,647	202,105	47,912	44,359	855,437
Fund balance - March 31, 2006	\$ 152,627	\$ 270,966	\$ 209,028	\$ 141,701	\$ 39,857	\$ 41,875	\$ 856,054

See accompanying notes to financial statements.

NEGAUNEE TOWNSHIP

**RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2006**

Net Change in Fund Balances - Total Governmental Funds	\$ 617
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation

Depreciation expense	\$ (65,995)	
Capital outlay	<u>47,092</u>	(18,903)

Accrued interest is recorded in the statement of activities when incurred; it is not reported in governmental funds until paid	(2,079)
--	---------

Payments of note principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	178,964
--	---------

Bond principal payment absorbed by Marquette County Solid Waste Management Authority included in the statement of activities	6,039
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Special assessments are included in the statement of activities when earned; they are not reported in the funds until collected or collectible within 60 days of year end	79,183
---	--------

The issuance of debt provides current financial resources to governmental funds	(204,227)
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Property taxes are recorded in the statement of activities when earned; they are not reported in the funds until collected or collectible within 60 days of year end	(2,328)
--	---------

Decreases in compensated absences are reported as expenditures when financial resources are used in the governmental funds	<u>8,159</u>
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Change in Net Assets of Governmental Activities	<u>\$ 45,425</u>
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See accompanying notes to financial statements.

NEGAUNEE TOWNSHIP

PROPRIETARY FUNDS

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED MARCH 31, 2006**

	<u>Water Fund</u>	<u>Solid Waste Disposal Fund</u>	<u>Total</u>
Operating revenues			
Water sales	\$ 146,728	\$	\$ 146,728
Garbage disposal services		162,001	162,001
Special assessments	133,745		133,745
Installation and other miscellaneous charges	<u>42,111</u>		<u>42,111</u>
Total operating revenues	322,584	162,001	484,585
Operating expenses			
Personal services	47,595	12,731	60,326
Professional and contractual services	3,158	127,043	130,201
Supplies	7,613	4,835	12,448
Insurance	5,411		5,411
Communications	3,661		3,661
Transportation	6,012	257	6,269
Employee benefits	19,247	7,934	27,181
Repairs and maintenance	3,851		3,851
Utilities	8,611		8,611
Miscellaneous expenses	3,729	40	3,769
Depreciation	<u>100,360</u>		<u>100,360</u>
Total operating expenses	<u>209,248</u>	<u>152,840</u>	<u>362,088</u>
Operating income (loss)	113,336	9,161	122,497
Nonoperating revenues (expenses)			
Interest income	7,121	55	7,176
Interest expense	<u>(14,594)</u>		<u>(14,594)</u>
Total nonoperating revenues (expenses)	<u>(7,473)</u>	<u>55</u>	<u>(7,418)</u>
Income (loss) before contributions	105,863	9,216	115,079
Capital contributions	<u>26,000</u>		<u>26,000</u>
Change in net assets	131,863	9,216	141,079
Total net assets - April 1, 2005	<u>2,421,008</u>	<u>50,668</u>	<u>2,471,676</u>
Total net assets - March 31, 2006	<u><u>\$ 2,552,871</u></u>	<u><u>\$ 59,884</u></u>	<u><u>\$ 2,612,755</u></u>

See accompanying notes to financial statements.

NEGAUNEE TOWNSHIP

**PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2006**

	Water Fund	Solid Waste Disposal Fund	Total
Cash flows from operating activities			
Cash charges for services	\$ 203,727	\$ 161,602	\$ 365,329
Cash payments to employees for services	(68,924)	(20,366)	(89,290)
Cash payments to suppliers for goods and services	(44,089)	(135,562)	(179,651)
Net cash provided (used) by operating activities	90,714	5,674	96,388
Cash flows from capital and related financing activities			
Capital contributions	26,000		26,000
Payments on bonds	(39,000)		(39,000)
Proceeds from bonds	105,000		105,000
Purchase of fixed assets	(139,917)		(139,917)
Interest paid on bonds	(16,238)		(16,238)
Net cash provided (used) by capital and related financing activities	(64,155)		(90,155)
Cash flows from investing activities			
Surrender of certificate of deposit		2,704	2,704
Interest income received	5,655	55	5,710
Net cash provided (used) by investing activities	5,655	2,759	2,132
Net increase (decrease) in cash	32,214	8,433	8,365
Cash - April 1, 2005	222,518	61,820	284,338
Cash - March 31, 2006	\$ 254,732	\$ 70,253	\$ 324,985
Reconciliation of operating income to net cash provided by operating activities			
Operating income (loss)	\$ 113,336	\$ 9,161	\$ 122,497
Adjustments to reconcile operating income (loss) to net cash provided by operating activities			
Depreciation	100,360		100,360
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	1,514	(447)	1,067
(Increase) in special assessments receivable	(120,370)		(120,370)
Decrease in due from other governmental units		48	48
(Increase) in interfund receivables	(128)		(128)
Increase (decrease) in accounts payable	427	(3,387)	(2,960)
(Decrease) in interfund payables	(2,343)		(2,343)
Increase (decrease) in compensated absences	(2,082)	299	(1,783)
Net cash provided (used) by operating activities	\$ 90,714	\$ 5,674	\$ 96,388

See accompanying notes to financial statements.

NEGAUNEE TOWNSHIP
FIDUCIARY FUNDS
STATEMENT OF NET ASSETS
FOR THE YEAR ENDED MARCH 31, 2006

	<u>Pension Trust Fund</u>	<u>Property Tax Collection Fund</u>	<u>Trust and Agency Fund</u>
Assets			
Cash and cash equivalents	\$	\$ 4,285	\$ 6,707
Investments--mutual funds--at fair value	<u>112,018</u>		
Total assets	<u>\$ 112,018</u>	<u>\$ 4,285</u>	<u>\$ 6,707</u>
Liabilities			
Due to other funds	\$	\$ 4,285	\$ 1,122
Due to other governmental units			<u>5,585</u>
Total liabilities		4,285	6,707
Net assets			
Held in trust for pension benefits	<u>112,018</u>		
Total liabilities and net assets	<u>\$ 112,018</u>	<u>\$ 4,285</u>	<u>\$ 6,707</u>

See accompanying notes to financial statements.

NEGAUNEE TOWNSHIP
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED MARCH 31, 2006

	<u>Pension Trust Fund</u>
Additions	
Contributions	
Employer	\$ 11,052
Plan members	<u>4,380</u>
Total contributions	15,432
Investment earnings	<u>12,026</u>
Total additions	<u>27,458</u>
Deductions	
Administrative expenses	1,626
Withdrawals	<u>8,967</u>
Total deductions	<u>10,593</u>
Change in net assets	16,865
Net assets--April 1, 2005	<u>95,153</u>
Net assets--March 31, 2006	<u><u>\$ 112,018</u></u>

See accompanying notes to financial statements.

NEGAUNEE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Negaunee Township conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by Negaunee Township.

Reporting Entity

Negaunee Township is governed by an elected five-member board. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the Township's reporting entity, and which organizations are legally separate, component units of the Township. Based on the application of the criteria, the Township does not contain any component units.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

NEGAUNEE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS - Continued MARCH 31, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures related to compensated absences, and claims and judgments are recorded only when payment is due.

Property taxes, state-shared revenue, licenses and permits, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

Negaunee Township reports the following major governmental funds:

The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund.

The Community Building Fund accounts for the support and operation of the community center and Township recreation plan.

The Fire Fund accounts for fire protection by special assessment under Act 33, 1951, as amended.

NEGAUNEE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS - Continued MARCH 31, 2006

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Measurement Focus, Basis of Accounting and Financial Statement Presentation - Continued

The Road Fund accounts for maintenance and improvement to county roads within Negaunee Township.

The Debt Service Special Assessment Fund accounts for special assessments received and bond payments paid for a road project.

Negaunee Township reports the following major proprietary funds:

The Water Fund accounts for the operating activities of the Township's water utilities services, including the repair and maintenance for its water distribution system.

The Solid Waste Disposal Fund accounts for the operating activities for the Township's solid waste disposal services.

Additionally, the Township reports the following fund types:

The Pension Trust Fund accounts for the activities of the Township's pension plan for eligible employees.

The Trust and Agency Fund accounts for the collection and disbursements of delinquent taxes and deposits due to other units and individuals.

The Property Tax Collection Fund accounts for collection and disbursement of current property tax collections.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private sector guidance for their business-type activities and enterprise funds, subject to the same limitations. The government has elected to also follow subsequent private-sector standards issued after November 30, 1989 for its' business-type activities.

NEGAUNEE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS - Continued MARCH 31, 2006

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Measurement Focus, Basis of Accounting and Financial Statement Presentation - Continued

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges for the government's water usage of fire hydrants. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds relate to charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Assets, Liabilities, and Net Assets or Equity

Deposits and Investments - Cash and cash equivalents include cash on hand, demand deposits and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. Pooled investment income is generally allocated to each fund using a weighted average of the principal balance.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

NEGAUNEE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS - Continued **MARCH 31, 2006**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Assets, Liabilities, and Net Assets or Equity - Continued

Receivables and Payables - Continued

The Township property tax is levied, due, and becomes a lien each December 1st based on property values located in the Township as of the preceding December 31st. The Township collects property taxes through the last day of February in the succeeding year. On March 1 of the subsequent year, delinquent real taxes are returned to Marquette County for collection. Delinquent personal property taxes remain with the Township and are to be collected by the Treasurer.

The rate to finance general government services for the year ended March 31, 2006 was 1.2548 per \$1,000 of taxable valuation of \$78,198,898. Also, an additional 1.7927 per \$1,000 of taxable valuation was levied for community building operations, 2.50 per \$1,000 of real property taxable valuation of \$71,765,498 was levied for fire protection, and .9377 per \$1,000 taxable valuation was levied for roads. These amounts are recognized in the respective General and Special Revenue Fund financial statements as taxes receivable—current or as tax revenue.

Restricted Assets - The revenue bonds of the enterprise funds require amounts to be set aside for construction, debt service principal and interest, operations and maintenance, and a bond reserve. These amounts have been classified as restricted assets.

Prepaid Costs - Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid costs in both government-wide and fund financial statements.

Capital Assets - Capital assets, which include land, buildings, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of 2 years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

NEGAUNEE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS - Continued MARCH 31, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Assets, Liabilities, and Net Assets or Equity - Continued

Capital Assets – Continued

Buildings, equipment, and infrastructure are depreciated using the straight-line method over the following useful lives:

Land improvements	20 years
Buildings and other additions	15 - 60 years
Machinery and other equipment	3 - 20 years
Water and sewer system	20 - 75 years

Compensated Absences (Vacation and Sick Leave) - It is the Township's policy to permit employees, depending on their years of service, to accumulate 5 to 20 days of unused vacation. Additionally, the Township allows employees to accumulate sick leave of which the employee will be paid one-half of their accrued sick leave for up to 30 days upon retirement. All vacation pay is accrued when incurred in the government-wide, proprietary and fiduciary fund financial statements. Sick pay is accrued for employees eligible to retire that will be paid out when they retire. A liability for these amounts is reported in governmental funds only for employee retirements as of year end.

Long-Term Obligations - In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Comparative Data/Reclassifications - Comparative data is not included in the Township's financial statements.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

NEGAUNEE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS - Continued **MARCH 31, 2006**

NOTE B - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the Township's general and special revenue funds. The budget document presents information by fund, function, department, and line items. The legal level on budgetary control adopted by the governing body is the line item level. All annual appropriations lapse at fiscal year end.

The Township follows these procedures in establishing the budgetary data reflected in the financial statements.

1. Prior to the beginning of the fiscal year, the Township Supervisor submits to the Township Board a proposed operating budget for the fiscal year commencing the following April 1. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments.
3. Prior to April 1, the budget is legally enacted by resolution.
4. Any revision that alters the original budget of any fund must be approved by the Township Board.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund and Special Revenue Funds.
6. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles.
7. Budget appropriations lapse at the end of each fiscal year.
8. Budgeted amounts are as originally adopted, or as amended by the Township Board. Individual amendments were not material in relation to the original budget.

Excess of Expenditures Over Appropriations in Budgeted Funds - During the year, Negaunee Township incurred expenditures in certain budgeted funds, which were in excess of the amounts appropriated, as follows:

NEGAUNEE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS - Continued MARCH 31, 2006

NOTE B - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - Continued

Excess of Expenditures Over Appropriations in Budgeted Funds - Continued

<u>Fund</u>	<u>Appropriated</u>	<u>Expended</u>	<u>Variance</u>
Special Revenue Funds:			
Road	\$139,015	\$341,875	\$<202,860>
Enterprise Funds:			
Solid waste disposal	140,050	152,840	<12,790>
Water	199,016	223,842	<24,826>
Debt Service Fund – no budget			

The Uniform Budgeting and Accounting Act, PA 2 of 1968, as amended, (MCL 141.421 et seq), provides that a local governmental unit shall not incur expenditures in excess of the amount appropriated.

NOTE C - DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes Negaunee Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The Township is allowed to invest in bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation; repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchased; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

NEGAUNEE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS - Continued MARCH 31, 2006

NOTE C - DEPOSITS AND INVESTMENTS - Continued

The investment policy adopted by the board in accordance with Act 20, PA 1943, is in accordance with state statutory authority.

Michigan law (Section 3, Act 40, PA 1932, as amended) prohibits security in the form of collateral, surety bond, or another form for the deposit of public money.

At year-end, the Township's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Cash and cash equivalents	\$723,709	\$280,588	\$ 10,992	\$1,015,289
Restricted cash		87,832		87,832
Investments			<u>112,018</u>	<u>112,018</u>
Total	<u>\$723,709</u>	<u>\$368,420</u>	<u>\$123,010</u>	<u>\$1,215,139</u>

The breakdown between cash and investments is as follows:

Checking and savings accounts, Certificates of deposit	\$1,102,821
Investments in mutual funds	112,018
Petty cash and cash on hand	<u>300</u>
	<u>\$1,215,139</u>

The deposits of Negaunee Township were reflected in the accounts of bank deposits at \$1,109,944 of which \$443,435 was covered by federal depository insurance and \$66,509 was uninsured and uncollateralized. The mutual funds investments are not included in any category of credit risk.

NEGAUNEE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS - Continued MARCH 31, 2006

NOTE D - CAPITAL ASSETS

Capital asset activity for the current year was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities				
Capital Assets Not Being Depreciated				
Land	\$ 56,312	\$	\$	\$ 56,312
Construction In Progress -Infrastructure	132,908	3,613		136,521
Equity in Marquette County Solid Waste Management Authority	<u>61,065</u>			<u>61,065</u>
Subtotal	<u>250,285</u>	<u>3,613</u>		<u>253,898</u>
Capital Assets Being Depreciated				
Land improvements		43,479		43,479
Buildings	1,003,021			1,003,021
Machinery and Equipment	<u>481,519</u>			<u>481,519</u>
Subtotal	<u>1,484,540</u>	<u>43,479</u>		<u>1,528,019</u>
Less Accumulated Depreciation for				
Land and land improvements		1,303		1,303
Buildings	285,491	25,225		310,716
Machinery and Equipment	<u>146,259</u>	<u>39,467</u>		<u>185,726</u>
Subtotal	<u>431,750</u>	<u>65,995</u>		<u>497,745</u>
Net Capital Assets Being Depreciated	<u>1,052,790</u>	<u><22,516></u>		<u>1,030,274</u>
Governmental Activities Capital Total				
Capital Assets – Net of Depreciation	<u>\$1,303,075</u>	<u>\$<18,903></u>	<u>\$</u>	<u>\$1,284,172</u>
Business-Type Activities				
Capital Assets Not Being Depreciated				
Land	\$ 34,500	\$	\$	\$ 34,500
Infrastructure	<u>369,111</u>			<u>369,111</u>
Subtotal	<u>403,611</u>			<u>403,611</u>
Capital Assets Being Depreciated				
Buildings	89,198			89,198
Machinery and Equipment	115,903			115,903
Infrastructure	<u>3,117,435</u>	<u>139,917</u>		<u>3,257,352</u>
Subtotal	<u>3,322,536</u>	<u>139,917</u>		<u>3,462,453</u>
Less Accumulated Depreciation for				
Buildings	5,017	2,230		7,247
Machinery and Equipment	60,199	5,394		65,593
Infrastructure	<u>1,150,264</u>	<u>92,736</u>		<u>1,243,000</u>
Subtotal	<u>1,215,480</u>	<u>100,360</u>		<u>1,315,840</u>
Net Capital Assets Being Depreciated	<u>2,107,056</u>	<u>39,557</u>		<u>2,146,613</u>
Business-Type Activities Capital Total				
Capital Assets – Net of Depreciation	<u>\$2,510,667</u>	<u>\$39,557</u>	<u>\$</u>	<u>\$2,550,224</u>

NEGAUNEE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS - Continued MARCH 31, 2006

NOTE E - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

At March 31, 2006, interfund balances are as follows:

<u>Fund</u>	<u>Receivable</u>	<u>Fund</u>	<u>Payable</u>
General	\$108,848	Brownfield	\$ 304
		Water	104,259
		Tax	<u>4,285</u>
			108,848
Capital Projects	22,634	General	22,634
Water	371	General	128
		Building	17
		Debt service	120
		Road	<u>106</u>
			371
Building	353	Trust & Agency	1,121
Fire	64		
General	519		
Road	<u>185</u>		
	1,121		
Sanitation	<u>5,071</u>	Debt service	<u>5,071</u>
Total	<u>\$138,045</u>	Total	<u>\$138,045</u>

NOTE F - LONG-TERM DEBT

The Township issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the Township. County contractual agreements and installment purchase agreements are also general obligations of the Township. Special assessment bonds provide for capital improvements that benefit specific properties, and will be repaid from amounts levied against those properties benefited from the construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the Township is obligated to provide resources to cover the deficiency until other resources (such as tax sale proceeds or a re-assessment of the district) are received. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

NEGAUNEE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS - Continued MARCH 31, 2006

NOTE F – LONG-TERM DEBT - Continued

Long-term obligation activity can be summarized as follows:

	Balance April 1, 2005	Issued	Retired	Balance March 31, 2006	Due Within One Year
Governmental activities					
General obligation bonds:					
2002 Township hall addition bonds					
Amount of issue - \$450,000					
Maturity through 2028	\$ 430,000	\$	\$ 10,000	\$ 420,000	\$ 10,000
Special Assessment bonds					
2001 Special Assessment					
Amount of issue - \$200,000					
Maturing through 2011	125,000		20,000	105,000	20,000
Marquette County Solid Waste					
Management Authority Bonds					
Amount of issue - \$73,523					
Additional - \$79,898					
Maturing through 2010	62,345		6,039	56,306	12,447
Installment purchase agreements:					
Pumper fire truck lease payable					
Amount of issue - \$200,850					
Maturing through 2012	148,846		18,447	130,399	19,315
2003 fire building note payable					
Amount of issue - \$202,695					
Maturing through 2015	186,181		15,394	170,787	16,356
County contractual obligations:					
Road improvement contracts					
Co. Rd. JA					
Amount of issue - \$204,227					
Maturing through 2009		204,227	40,845	163,382	40,845
Co. Rd. JG & JRE					
Amount of issue - \$102,042					
Maturing through 2005	35,885		35,885		
Co. Rd. CR, JR & JRB					
Amount of issue - \$115,179					
Maturing through 2007	76,786		38,393	38,393	38,393
Total bond obligations	1,065,043	204,227	185,003	1,084,267	157,356
Other long-term obligations:					
Compensated absences	12,877	6,491	14,650	4,718	
Total governmental activities	<u>\$ 1,077,920</u>	<u>\$ 210,718</u>	<u>\$ 199,653</u>	<u>\$ 1,088,985</u>	<u>\$ 157,356</u>

NEGAUNEE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS - Continued MARCH 31, 2006

NOTE F- LONG-TERM DEBT - Continued

	Balance April 1, 2005	Issued	Retired	Balance March 31, 2006	Due Within One Year
Business-type activities					
General revenue bonds:					
1989 Water revenue refunding bonds					
Amount of issue - \$550,000					
Maturing through 2010	\$ 215,000	\$	\$ 35,000	\$ 180,000	\$ 40,000
2002 Water tower improvement bonds					
Amount of issue - \$50,000					
Maturing through 2013	38,000		4,000	34,000	
Performance bond payable-matures 2007	12,075			12,075	
Total bonds payable	265,075		39,000	226,075	40,000
Other long-term obligations:					
Compensated absences	3,322	2,718	4,500	1,540	
Total business-type activities	<u>\$ 268,397</u>	<u>\$ 2,718</u>	<u>\$ 43,500</u>	<u>\$ 227,615</u>	<u>\$ 40,000</u>

Annual debt service requirements to maturity for the above obligations are as follows:

	Governmental Activities			Business-type Activities			
	Principal	Interest	Total	Principal	Interest	Less Loan Credit	Total
2007	\$ 157,356	\$ 51,742	\$ 209,098	\$ 60,075	\$ 12,699	\$ 2,558	\$ 70,216
2008	121,178	43,919	165,097	61,000	15,633	3,975	72,658
2009	128,970	37,845	166,815	61,000	11,631	2,715	69,916
2010	127,154	31,386	158,540	66,000	7,611	6,522	67,089
2011	72,071	25,699	97,770	17,000	3,174		20,174
2012-2016	182,538	92,970	275,508	66,000	5,999		71,999
2017-2021	95,000	63,987	158,987				
2022-2026	135,000	35,184	170,184				
2027-2028	65,000	3,536	68,536				
Total	<u>\$ 1,084,267</u>	<u>\$ 386,268</u>	<u>\$ 1,470,535</u>	<u>\$ 331,075</u>	<u>\$ 56,747</u>	<u>\$ 15,770</u>	<u>\$ 372,052</u>

NOTE G - RISK MANAGEMENT

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions and employees injuries (workers' compensation). The Township maintains insurance coverage through the Michigan Township Participating Plan. This Plan operates as an insurance purchasing pool for local units of government in Michigan. The Plan purchases commercial insurance on behalf of its members at a lower cost than would be available on an individual basis. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Township. Settled claims have not exceeded this coverage in any of the past three years

NEGAUNEE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS - Continued **MARCH 31, 2006**

NOTE H - EMPLOYEE RETIREMENT PLAN

Plan Description - The Township has a defined contribution retirement plan covered under Code Sec. 401(k) of the IRS Code through Manufacturers Life Insurance Company that covers all employees at least 18 years of age.

Funding Policy - The contribution due each year is as follows:

- a. Employer contributions are 6% of covered employees compensation.
- b. Employee contributions will be \$780 per plan year.
- c. Any full-time employee not receiving health benefits will receive an employer contribution.
- d. Employees are also entitled to make additional voluntary after tax contributions of up to 10% of annual compensation.
- e. Total annual employer and employee contributions may not exceed 25% of compensation or \$42,000.

The Township's contribution for all funds was \$11,030 and the employees' contribution was \$4,380 for the year ended March 31, 2006.

Manufacturers Life issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to John Hancock Life Insurance Company, P.O. Box 600, Buffalo, NY 14201-0600.

NOTE I - DEFERRED COMPENSATION PLAN

The Township has a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The assets of the plan were held in trust, (custodial account or annuity contract) as described in IRC Section 457 (g) for the exclusive benefit of the participants (employees) and their beneficiaries. The custodian thereof of the exclusive benefit of the participants holds the custodial account for the beneficiaries of this Section 457 plan, and the assets may not be diverted to any other use. The Administrators are agents of the employer for purposes of providing direction to the custodian of the custodial account from time to time for the investment of the funds held in the account, transfer of assets to or from the account and all other matters. In accordance with the provisions of GASB Statement 32, plan balances and activities are not reflected in Negaunee Township's financial statements.

NEGAUNEE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS - Continued **MARCH 31, 2006**

NOTE J - JOINT VENTURE

Marquette County Solid Waste Management Authority

During 1988, Negaunee Township joined 21 other municipalities in the Marquette County Solid Waste Management Authority ("Authority"). The Authority was created pursuant to Act 233 of 1955 to plan for, acquire, construct, finance, operate, maintain, repair and dispose of, whether by sale, lease, or otherwise, an Act 641 landfill, including all improvements, appurtenances, easements, accessory facilities and structures, equipment, and other property part of or incidental to the landfill sufficient to satisfy the requirements of, and function as a solid waste disposal area under Act 641 and to establish and administer procedures providing for the separation, recycling, recovery, and conversion of solid waste to energy and for the disposition of such energy output and disposal at the site of Non-toxic Type II and Type III Solid Waste, to fund all of the above activities, to charge and collect fees in connection with the operation of the landfill and to provide for the reimbursement with receipt of bond proceeds to the City of Marquette and Sands Township of their respective costs and expenses incurred in connection with the establishment and administration of the Solid Waste Authority and the System Facility.

The Authority is governed by a Board of Trustees consisting of one member (who shall be the Chairperson of the Board of Trustees) designated by the Sands Township Supervisor on behalf of the Sands Township, two members designated by the Marquette City Commission, three members designated by the Marquette County Board of Commissioners, and one resident of the City of Marquette appointed by the other six Authority Board members. All decisions of the Board are made by majority vote, consisting of at least four of its members.

The Township's pro-rata share (based on population) of assets, liabilities, and fund equity is 4.2 percent. Summary financial information as of and for the fiscal year ended June 30, 2005, is as follows:

Total Assets	\$13,560,611
Total Liabilities	2,075,460
Total Equity	11,485,151
Total Operating Revenues	2,425,089
Total Operating Expenses	2,149,808
Other Revenue (Expenses)	303,785
Capital Contributions	45,809
Change In Net Assets	624,875
Total Joint Venture's Outstanding Long-Term Debt	1,707,568

NEGAUNEE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS - Continued **MARCH 31, 2006**

NOTE J - JOINT VENTURE - Continued

Marquette County Solid Waste Management Authority - Continued

The City of Marquette has pledged its full faith and credit for the Marquette County Solid Waste Management Authority Bonds, Series 1988. These bonds are payable from the net revenues of the Authority, as well as by each member of the Authority to the extent of their pro rata share of the principal and interest requirements on the bonds.

The Township is a guarantor by pledging the full faith and credit of the Township for their allocated portion of bonds issued by the Authority in the amount of \$26,111 outstanding at March 31, 2005 at a variable interest rate for 20 years. The Authority allocates and charges as an operating expense annual fixed costs to each participant, including debt requirements of the Authority's bonds, that are guaranteed by the Township. For the year ending March 31, 2006 interest of \$955 is included as sanitation costs in the General Fund.

In addition, bonds were issued to finance the Township's portion of the initial construction costs and site search. Principal and interest of \$6,039 were absorbed by the Authority on these bonds for the year ending March 31, 2006 and the outstanding balance is \$30,195 at March 31, 2006. The Authority has also absorbed the bond payment of \$7,136 for May, 2006. Marquette County issued the Marquette County Solid Waste System Bonds, Series 1991. These bonds are to be paid with a portion of tipping fees designated for bond repayment.

The audited financial statements of the Marquette County Solid Waste Management Authority can be obtained at 600 County Road NP, Marquette, MI 49855.

The Township has included their equity interest of the Authority in the Net Assets on the Statement of Net Assets.

NOTE K – RELATED PARTY

Negaunee Township uses the services of Moyle Trucking which is owned by a member of the Board of Trustees. The total amount paid for services for the year ending March 31, 2006 was \$7,957.

NEGAUNEE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS - Continued **MARCH 31, 2006**

NOTE L - SUBSEQUENT EVENTS

Negaunee Township has contracted with the City of Negaunee to hook up with their sewer system to provide sewer services for the potential KBIC development. It includes a ten year contract with an option to renew for another ten years, a \$325,000 one time hook up fee which will be covered by the KBIC, and all system improvements from the City of Negaunee limits to Maple Street connection will be the Township's responsibility. Once the system is operational, all sewer line and pump stations east of the Negaunee City limits will be owned and maintained by Negaunee Township. An engineering agreement was approved contingent upon KBIC funding to cover the engineering charges.

Road construction agreements were signed with the Marquette County Road Commission for future road improvements. Construction started in 2005 on North Road (CR JA) and is expected to cost the Township approximately \$330,000 over five years plus interest at 5.5 percent. The amount completed was \$204,227 with the remaining \$125,773 expected to be completed in 2006.

Three claims in the Michigan Tax Tribunal against Negaunee Township by utility providers were settled. These claims challenged the assessments of the utilities' properties for 1998, 1999, 2000, 2001, 2002 and 2003. Negaunee Township will be returning \$836 to the utility companies.

REQUIRED SUPPLEMENTAL INFORMATION

NEGAUNEE TOWNSHIP

**REQUIRED SUPPLEMENTAL INFORMATION
FIRE FUND**

**BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED MARCH 31, 2006**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance With Amended Budget</u>
Revenues				
Taxes and penalties				
Current property	\$ 165,145	\$ 165,145	\$ 177,348	\$ (12,203)
Delinquent property			87	(87)
Commercial forest			883	(883)
Penalties and interest			2	(2)
	<u>165,145</u>	<u>165,145</u>	<u>178,320</u>	<u>(13,175)</u>
Total taxes and penalties	2,000	2,000	1,787	213
Interest income			6,568	(6,568)
Miscellaneous				
	<u>167,145</u>	<u>167,145</u>	<u>186,675</u>	<u>(19,530)</u>
Total revenues				
Expenditures				
Fire wages	30,000	30,000	20,291	9,709
Custodian wages	2,000	2,000	1,500	500
Training	7,500	7,500	3,983	3,517
Office supplies	1,000	1,000	265	735
EMS supplies	2,500	5,000		5,000
Professional services	1,000	1,000	345	655
Operational supplies	12,614	42,614	16,872	25,742
Hydrant	33,029	33,029	33,029	
Membership fees	400	400	534	(134)
Telephone	1,000	1,000	241	759
Communication equipment	1,000	1,000		1,000
Insurance	10,500	10,500	9,463	1,037
Fuel	750	750	489	261
Mileage	250	250	1,351	(1,101)
Marching/parades	1,000	1,000		1,000
Promotion	2,000	2,000	1,174	826
Utilities	4,000	4,000	5,322	(1,322)
Maintenance/repairs	3,000	3,000	45	2,955
Interest	6,500	6,500	7,524	(1,024)
Building principal	16,550	16,550	15,394	1,156
Fire truck principal and interest	25,452	25,452	25,452	
Capital outlay			22,295	(22,295)
Social security	2,000	2,000	1,664	336
Unemployment	500	500	3	497
Retirement	100	100	58	42
Hospitalization	500	500		500
Medical	2,000	2,000		2,000
	<u>167,145</u>	<u>199,645</u>	<u>167,294</u>	<u>32,351</u>
Total expenditures				
Excess of revenues (expenditures)	<u>\$</u>	<u>\$ (32,500)</u>	<u>\$ 19,381</u>	<u>\$ (51,881)</u>

NEGAUNEE TOWNSHIP

**REQUIRED SUPPLEMENTAL INFORMATION
COMMUNITY BUILDING FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED MARCH 31, 2006**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance With Amended Budget</u>
Revenues				
Taxes and penalties				
Current property	\$ 125,000	\$ 125,000	\$ 139,333	\$ (14,333)
Delinquent property	200	200	192	8
Commercial forest			633	(633)
Penalties and interest			4	(4)
	<u>125,200</u>	<u>125,200</u>	<u>140,162</u>	<u>(14,962)</u>
Total taxes and penalties				
Interest and rentals				
Interest income	1,250	1,250	3,836	(2,586)
Rental income	<u>10,000</u>	<u>10,000</u>	<u>10,900</u>	<u>(900)</u>
Total interest and rentals	11,250	11,250	14,736	(3,486)
Other revenue				
Soda machine	250	250	184	66
Miscellaneous			<u>1,304</u>	<u>(1,304)</u>
Total other revenue	<u>250</u>	<u>250</u>	<u>1,488</u>	<u>(1,238)</u>
Total revenues	<u>136,700</u>	<u>136,700</u>	<u>156,386</u>	<u>(19,686)</u>
Expenditures				
Building and grounds				
Custodian wages	18,000	18,700	20,797	(2,097)
Secretarial wages	3,100	3,100	3,876	(776)
Groundskeeping wages	19,000	19,700	20,191	(491)
Operational supplies	5,000		3,978	(3,978)
Inspection fees	400	800	776	24
Building insurance	9,000	8,300	8,378	(78)
Utilities	16,000	16,000	18,185	(2,185)
Building maintenance	5,000	10,000	8,284	1,716
Lawn maintenance	4,000	1,800	1,507	293
Truck repair/maintenance	1,500	1,500	1,882	(382)
Small equipment repair	1,500	1,500	590	910
Special projects	150	3,650	3,837	(187)
Parking lot expansion	1,000	3,000	389	2,611
Capital outlay	<u>12,850</u>	<u>7,250</u>	<u>2,721</u>	<u>4,529</u>
Total building and grounds	<u>96,500</u>	<u>95,300</u>	<u>95,391</u>	<u>(91)</u>

NEGAUNEE TOWNSHIP

**REQUIRED SUPPLEMENTAL INFORMATION
COMMUNITY BUILDING FUND
BUDGETARY COMPARISON SCHEDULE (Continued)
FOR THE YEAR ENDED MARCH 31, 2006**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance With Amended Budget</u>
Expenditures (Continued)				
Recreation and culture				
Recreation wages	\$ 10,000	\$ 10,000	\$ 4,792	\$ 5,208
Recreation supplies	3,000	3,000	1,975	1,025
Outside recreational services	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>	
Total recreation and culture	<u>14,000</u>	<u>14,000</u>	<u>7,767</u>	<u>6,233</u>
Other				
Social security tax	4,000	4,000	3,748	252
Unemployment	400	400	163	237
Retirement	1,800	1,800	2,070	(270)
Hospitalization insurance	20,000	21,200	18,765	2,435
Miscellaneous	<u> </u>	<u> </u>	<u>646</u>	<u>(646)</u>
Total other	<u>26,200</u>	<u>27,400</u>	<u>25,392</u>	<u>2,008</u>
Total expenditures	<u>136,700</u>	<u>136,700</u>	<u>128,550</u>	<u>8,150</u>
Excess of revenues (expenditures)	<u>\$</u>	<u>\$</u>	<u>\$ 27,836</u>	<u>\$ (27,836)</u>

NEGAUNEE TOWNSHIP
REQUIRED SUPPLEMENTAL INFORMATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED MARCH 31, 2006

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance With Amended Budget</u>
Revenues				
Taxes and penalties				
Current property	\$ 90,500	\$ 90,500	\$ 97,524	\$ (7,024)
Delinquent property	5,000	7,000	134	6,866
Commercial forest	6,000	1,650	443	1,207
Penalties and interest	250	350	1,281	(931)
Administration fee	20,000	26,000	27,224	(1,224)
Total taxes and penalties	121,750	125,500	126,606	(1,106)
Licenses and permits	6,000	3,800	3,986	(186)
State grants				
State revenue sharing	207,885	207,885	203,630	4,255
Help America Vote			4,755	(4,755)
State right of way fee	4,600	5,100	5,272	(172)
Total state grants	212,485	212,985	213,657	(672)
Charges for services				
School tax fee	5,000	5,000	4,913	87
Trailer court fees	250	250	120	130
Total charges for services	5,250	5,250	5,033	217
Interest and rentals				
Interest income	150	150		150
Interest income tax fund	25	25	3,981	(3,956)
Total interest and rentals	175	175	3,981	(3,806)
Other revenue				
Other reimbursements	200	200		200
Over/short	25	25	(20)	45
Miscellaneous income	3,500	6,250	5,600	650
Total other revenue	3,725	6,475	5,580	895
Total revenues	<u>\$ 349,385</u>	<u>\$ 354,185</u>	<u>\$ 358,843</u>	<u>\$ (4,658)</u>

NEGAUNEE TOWNSHIP

**REQUIRED SUPPLEMENTAL INFORMATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE (Continued)
FOR THE YEAR ENDED MARCH 31, 2006**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance With Amended Budget</u>
Expenditures				
GENERAL GOVERNMENT				
Legislative				
Board salaries and wages	\$ 8,400	\$ 8,400	\$ 8,400	\$
Building/rec committee wages	300	350	315	35
Publishing	1,000	1,200	1,149	51
Miscellaneous	500	1,800	1,527	273
Senior citizens	500	500	401	99
Special projects		4,600	3,174	1,426
Total legislative	<u>10,700</u>	<u>16,850</u>	<u>14,966</u>	<u>1,884</u>
Supervisor				
Salary	16,000	16,000	16,000	
Mileage	500			
Miscellaneous	500	850	268	582
Total supervisor	<u>17,000</u>	<u>16,850</u>	<u>16,268</u>	<u>582</u>
Elections	<u>500</u>	<u>500</u>	<u>5,285</u>	<u>(4,785)</u>
Assessor				
Salary	24,000	24,000	24,000	
Assistant salary	19,135	20,200	20,179	21
Supplies	2,000	3,700	3,455	245
Telephone	1,000	1,150	968	182
Mileage	125	125	105	20
Total assessor	<u>46,260</u>	<u>49,175</u>	<u>48,707</u>	<u>468</u>
Attorney				
Fees	3,000	1,000	848	152
Court fees	250	250		250
Total attorney	<u>3,250</u>	<u>1,250</u>	<u>848</u>	<u>402</u>

NEGAUNEE TOWNSHIP

**REQUIRED SUPPLEMENTAL INFORMATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE (Continued)
FOR THE YEAR ENDED MARCH 31, 2006**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance With Amended Budget</u>
Expenditures (Continued)				
GENERAL GOVERNMENT (Continued)				
Clerk				
Salary	\$ 15,000	\$ 15,000	\$ 15,000	\$
Deputy clerk salary	3,000	3,550	3,527	23
Mileage	25	25		25
Total clerk	<u>18,025</u>	<u>18,575</u>	<u>18,527</u>	<u>48</u>
Board of review-wages	<u>1,500</u>	<u>1,500</u>	<u>1,317</u>	<u>183</u>
Treasurer				
Salary	15,000	15,000	15,000	
Deputy treasurer salary	14,162	16,662	16,619	43
Supplies	2,000	2,400	2,330	70
Summer tax	200	200		200
Winter tax	800	800	817	(17)
Telephone	600	600	145	455
Mileage	300	300	105	195
Total treasurer	<u>33,062</u>	<u>35,962</u>	<u>35,016</u>	<u>946</u>
Building and grounds				
Custodian	7,227	7,477	7,442	35
Groundskeeping	7,226	4,476	4,305	171
Repairs and maintenance	250	250		250
Debt service-principal	10,000	10,000	10,000	
-interest	<u>21,500</u>	<u>21,500</u>	<u>20,540</u>	<u>960</u>
Total building and grounds	<u>46,203</u>	<u>43,703</u>	<u>42,287</u>	<u>1,416</u>

NEGAUNEE TOWNSHIP

**REQUIRED SUPPLEMENTAL INFORMATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE (Continued)
FOR THE YEAR ENDED MARCH 31, 2006**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance With Amended Budget</u>
Expenditures (continued)				
GENERAL GOVERNMENT (Continued)				
Other				
Personnel committee	\$ 150	\$ 150	\$ 35	\$ 115
Dues/subscriptions	5,000	2,500	2,279	221
Audit	7,500	5,045	4,526	519
Service charges	350	350	14	336
Office wages	30,070	27,070	24,291	2,779
Supplies	2,500	2,700	2,827	(127)
Service contract/lease		650	650	
Telephone	2,500	2,500	1,405	1,095
Postage	2,000	2,000	1,678	322
Mailings	1,200	1,200		1,200
Internet	650	650	629	21
Mileage	50	50	15	35
Miscellaneous	250	250	45	205
Computer expense	500	1,400	1,399	1
	<u>52,720</u>	<u>46,515</u>	<u>39,793</u>	<u>6,722</u>
Total other				
	<u>52,720</u>	<u>46,515</u>	<u>39,793</u>	<u>6,722</u>
TOTAL GENERAL GOVERNMENT	<u>229,220</u>	<u>230,880</u>	<u>223,014</u>	<u>7,866</u>
PUBLIC SAFETY-Animal control	<u>1,000</u>	<u>1,000</u>	<u>749</u>	<u>251</u>
PUBLIC WORKS				
Sanitation				
Debt service-principal	7,500	7,500		7,500
-interest			955	(955)
Capital outlay-sewer			3,613	(3,613)
Special projects		1,100	304	796
	<u>7,500</u>	<u>8,600</u>	<u>4,872</u>	<u>3,728</u>
Total sanitation				
	<u>7,500</u>	<u>8,600</u>	<u>4,872</u>	<u>3,728</u>
Street lighting	<u>11,600</u>	<u>12,600</u>	<u>12,436</u>	<u>164</u>
TOTAL PUBLIC WORKS	<u>19,100</u>	<u>21,200</u>	<u>17,308</u>	<u>3,892</u>

NEGAUNEE TOWNSHIP

**REQUIRED SUPPLEMENTAL INFORMATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE (Continued)
FOR THE YEAR ENDED MARCH 31, 2006**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance With Amended Budget</u>
Expenditures (continued)				
COMMUNITY AND ECONOMIC DEVELOPMENT--				
Planning commission				
Wages	\$ 3,000	\$ 3,000	\$ 2,345	\$ 655
Project manager wages	24,250	24,250	22,866	1,384
Miscellaneous	1,000	6,000	5,498	502
	<u>28,250</u>	<u>33,250</u>	<u>30,709</u>	<u>2,541</u>
TOTAL COMMUNITY AND ECONOMIC DEVELOPMENT				
	<u>28,250</u>	<u>33,250</u>	<u>30,709</u>	<u>2,541</u>
OTHER				
Social security and medicare	11,500	12,000	11,923	77
Unemployment	115	150	148	2
Retirement	7,200	7,600	7,259	341
Hospitalization	45,000	42,015	39,572	2,443
In lieu health		1,400	917	483
Insurance and bonds	8,000	4,690	2,901	1,789
	<u>71,815</u>	<u>67,855</u>	<u>62,720</u>	<u>5,135</u>
Total other				
	<u>71,815</u>	<u>67,855</u>	<u>62,720</u>	<u>5,135</u>
Total expenditures	<u>349,385</u>	<u>354,185</u>	<u>334,500</u>	<u>19,685</u>
Excess of revenues (expenditures)	<u>\$</u>	<u>\$</u>	<u>\$ 24,343</u>	<u>\$ (24,343)</u>

NEGAUNEE TOWNSHIP

**REQUIRED SUPPLEMENTAL INFORMATION
ROAD FUND**

**BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED MARCH 31, 2006**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance With Amended Budget</u>
Revenues				
Taxes and penalties				
Current property	\$ 67,600	\$ 67,600	\$ 72,872	\$ (5,272)
Delinquent property	100	5,100	100	5,000
Commercial forest			331	(331)
Penalties and interest	15	15	2	13
	<u>67,715</u>	<u>72,715</u>	<u>73,305</u>	<u>(590)</u>
Interest income	800	3,050	3,939	(889)
	<u>68,515</u>	<u>75,765</u>	<u>77,244</u>	<u>(1,479)</u>
Total revenues				
	<u>68,515</u>	<u>75,765</u>	<u>77,244</u>	<u>(1,479)</u>
Expenditures				
Roads	67,765	138,265	220,168	(81,903)
Road signs	750	400	42	358
Debt service			121,320	(121,320)
Professional services		350	345	5
	<u>68,515</u>	<u>139,015</u>	<u>341,875</u>	<u>(202,860)</u>
Total expenditures				
	<u>68,515</u>	<u>139,015</u>	<u>341,875</u>	<u>(202,860)</u>
Excess of revenues over (under) expenditures		(63,250)	(264,631)	201,381
Other financing sources- note proceeds			204,227	(204,227)
Excess of revenues and other financing sources over (under) expenditures	<u>\$</u>	<u>\$ (63,250)</u>	<u>\$ (60,404)</u>	<u>\$ (2,846)</u>

SUPPLEMENTAL INFORMATION

NEGAUNEE TOWNSHIP

**SUPPLEMENTAL INFORMATION
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
MARCH 31, 2006**

	<u>Special Revenue Funds</u>		<u>Capital</u>	<u>Total</u>
	<u>Liquor</u>	<u>Brownfield</u>	<u>Projects</u>	<u>Non-Major Governmental Funds</u>
Assets				
Cash on hand and in bank	\$ 249	\$ 19,296	\$	\$ 19,545
Due from other funds			22,634	22,634
Total assets	<u>\$ 249</u>	<u>\$ 19,296</u>	<u>\$ 22,634</u>	<u>\$ 42,179</u>
Liabilities and fund balances				
Liabilities-Due to other funds	\$	\$ 304	\$	\$ 304
Fund balances				
Reserved	<u>249</u>	<u>18,992</u>	<u>22,634</u>	<u>41,875</u>
Total liabilities and fund balances	<u>\$ 249</u>	<u>\$ 19,296</u>	<u>\$ 22,634</u>	<u>\$ 42,179</u>

NEGAUNEE TOWNSHIP

**SUPPLEMENTAL INFORMATION
NON-MAJOR GOVERNMENTAL FUNDS**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED MARCH 31, 2006**

	<u>Special Revenue Funds</u>		<u>Capital</u>	<u>Total</u>
	<u>Liquor</u>	<u>Brownfield</u>	<u>Projects</u>	<u>Non-Major</u>
				<u>Governmental</u>
				<u>Funds</u>
Revenues				
Taxes and penalties	\$	\$ 17,380	\$	\$ 17,380
State grants	497			497
Interest and rentals		28		28
Total revenues	<u>497</u>	<u>17,408</u>		<u>17,905</u>
Expenditures				
Current				
Public safety	545			545
Community/economic development		1,381		1,381
Capital outlay			18,463	18,463
Total expenditures	<u>545</u>	<u>1,381</u>	<u>18,463</u>	<u>20,389</u>
Excess of revenues over (under) expenditures	(48)	16,027	(18,463)	(2,484)
Operating transfers in (out)		<u>(18,463)</u>	<u>18,463</u>	
Excess of revenues over (under) expenditures and other uses	(48)	(2,436)		(2,484)
Fund balance - April 1, 2005	<u>297</u>	<u>21,428</u>	<u>22,634</u>	<u>44,359</u>
Fund balance - March 31, 2006	<u>\$ 249</u>	<u>\$ 18,992</u>	<u>\$ 22,634</u>	<u>\$ 41,875</u>

Board of Trustees
Negaunee Township
Marquette County, Michigan

We have audited the financial statements of Negaunee Township, for the year ended March 31, 2006 and have issued our report thereon May 18, 2006. Professional standards require that we provide you with following information related to our audit.

OUR RESPONSIBILITY UNDER GENERALLY ACCEPTED AUDITING STANDARDS

As stated in our engagement letter dated March 28, 2006, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with generally accepted accounting principles. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, fraud, or other illegal acts may exist and not be detected by us.

As part of our audit, we considered the internal control of Negaunee Township. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

SIGNIFICANT ACCOUNTING POLICIES

Management has the responsibility for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Negaunee Township are described in Note A to the financial statements.

ACCOUNTING ESTIMATES

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. These estimates are relatively insignificant in relation to the financial statements taken as a whole.

SIGNIFICANT AUDIT ADJUSTMENTS

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. These adjustments may include those proposed by us but not recorded by Negaunee Township that could potentially cause future financial statements to be materially misstated, even though we have concluded that such adjustments are not material to the current financial statements.

Our audit adjustments consisted primarily of reclassification entries and year-end journal entries. These entries, individually, and in the aggregate, have a significant effect on the financial reporting process.

DISAGREEMENTS WITH MANAGEMENT

For the purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

CONSULTATIONS WITH OTHER INDEPENDENT ACCOUNTANTS

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to Negaunee Township's financial statement or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

DIFFICULTIES ENCOUNTERED IN PERFORMING THE AUDIT

We encountered no significant difficulties in dealing with management in performing and completing our audit.

This information is intended solely for the use of the Negaunee Township Board of Trustees management and should not be used for any other purpose.

Very truly yours,


Certified Public Accountants

May 18, 2006

Board of Trustees
Negaunee Township
Marquette County, Michigan

MANAGEMENT LETTER ON ANNUAL REPORT

In connection with the examination of the financial statements of Negaunee Township for the year ended March 31, 2006, we submit the following comments and recommendations:

BANK RECONCILIATIONS

There were various outstanding checks over six months old in your pooled and water checking accounts. These items should be followed up on to determine whether they should be voided and/or reissued. This should be done at least once a year to avoid the accumulation of old, outstanding checks.

CASH RECEIPTS

A review of cash receipts indicated incorrect account number classifications. When the Treasurer issues triplicate cash receipts the accounts and account numbers should be indicated on the receipt. It should follow the current chart of accounts listing which would be available from the Clerk. This will enable the Clerk to classify the receipt properly.

HEALTH INSURANCE BENEFITS

The Board minutes indicate that any employee not utilizing the Township's single-person health insurance benefit will receive 50% of that amount and is required to contribute 90% of it towards a deferred compensation plan. You will need to revise that since you cannot require an employee to invest their funds in a particular manner.

PRIOR FISCAL YEAR JOURNAL ENTRIES

Several journal entries were made to your fiscal year ending March 31, 2005 changing amounts from one fund to another fund. Once the audit has been completed for a fiscal year there should be no further adjustments made to your books for that year. Any adjustments that need to be made should be done in the current fiscal year unless they are of a magnitude that would cause the prior audit to be restated.

INTERFUND ACCOUNTS

There are several interfund accounts that appear as though they will not be cleared out in the next fiscal year, i.e. capital projects, water, and general funds. You may want to transfer those amounts to the applicable funds since interfund activity should be cleared out within a short period of time.

SPECIAL ASSESSMENTS AND CONSTRUCTION ACTIVITY

According to Governmental Accounting Standards Board No. 6, construction activity related to an enterprise (Water) fund the activity and subsequent collections of special assessments and payment of bonds should be accounted for in the enterprise fund. This is different from construction activity that is done to benefit governmental funds. Year-end adjusting journal entries reflect the movement of this activity to your Water Fund for the water main project that was completed during the year ending March 31, 2006. Future entries for the special assessments and bond payments should be accounted in the Water Fund.

We want to thank Township personnel for their help during the audit. If we can be of assistance in the implementation of these recommendations or any other services as they may arise, please contact us.


Certified Public Accountants

May 18, 2006